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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA
SACRAMENTO DIVISION

In re

FARNSWORTH INSURANCE
SERVICES, INC.,

Debtor.

Case No. 05-29960-A-7
DCN: BLL-2Date: October 23, 2006
Time: 9:00 a.m.

MEMORANDUM

The trustee seeks approval of a settlement agreement between the estate and Kurt Farnsworth, the debtor's principal, over the estate's interest in insurance premium renewal payments ("renewal accounts").

Under the terms of the settlement agreement, Mr. Farnsworth will pay the estate \$15,000 and, in exchange, the estate will release its interest in the renewal accounts and claim against Mr. Farnsworth for renewal accounts he may have collected. The trustee further seeks approval of compensation and reimbursement of expenses for his counsel, based on a one-third contingency fee agreement previously approved by the court.

On a motion by the trustee and after notice and a hearing, the court may approve a compromise or settlement. Fed. R. Bankr. P. 9019. Approval of a compromise must be based upon

1 considerations of fairness and equity. In re A & C Properties,
2 784 F.2d 1377, 1381 (9th Cir. 1986). The court must consider and
3 balance four factors: 1) the probability of success in the
4 litigation; 2) the difficulties, if any, to be encountered in the
5 matter of collection; 3) the complexity of the litigation
6 involved; and 4) the paramount interest of the creditors with a
7 proper deference to their reasonable views. In re Woodson, 839
8 F.2d 610, 620 (9th Cir. 1988).

9 The court finds that the Woodson factors balance in favor of
10 approving the compromise. That is, considering the modest amount
11 in controversy, approximately \$25,000, the risks, delay, and
12 costs of litigation, Mr. Farnsworth's questionable ability to
13 satisfy a judgment in excess of the settlement amount, and the
14 modest discount being paid on the renewal accounts, the
15 settlement is equitable and fair. Therefore, the court finds the
16 compromise to be in the best interests of the creditors and the
17 estate.

18 Also, the court may give weight to the opinions of the
19 trustee, the parties, and their attorneys. In re Blair, 538 F.2d
20 849, 851 (9th Cir. 1976). Furthermore, the law favors compromise
21 and not litigation for its own sake. Id.

22 The compromise will be approved.

23 11 U.S.C. § 330(a)(1)(A)&(B) permits approval of "reasonable
24 compensation for actual, necessary services rendered by . . . [a]
25 professional person" and "reimbursement for actual, necessary
26 expenses." The services of the trustee's counsel included,
27 without limitation: (1) examining Mr. Farnsworth about the
28 debtor's business practices; (2) reviewing the debtor's business

1 records; (3) investigating the estate's interest in assets that
2 could be liquidated; (4) analyzing the merits and risks of
3 prosecuting an action against Mr. Farnsworth, relating to the
4 insurance premium renewal accounts; (5) negotiating a settlement
5 agreement with Mr. Farnsworth over the estate's interest in the
6 accounts; and (6) obtaining court approval of the settlement
7 agreement.

8 The court finds that the requested compensation is for
9 actual and necessary services rendered to the trustee in
10 connection with his administration of this estate. And, the
11 terms of the previously approved contingency fee agreement have
12 not proven improvident in light of subsequent developments.

13 The compensation and expense reimbursement will be approved
14 according to the terms of counsel's employment as previously
15 approved by the court.

16 The trustee shall lodge a proposed order.

17 Dated: *Nov. 6, 2006*

18 By the Court

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20 _____
21 Michael S. McManus, Chief Judge
22 United States Bankruptcy Court
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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF CALIFORNIA

CERTIFICATE OF MAILING

The undersigned deputy clerk in the office of the United States Bankruptcy Court for the Eastern District of California hereby certifies that a copy of the document to which this certificate is attached was mailed today to the following entities listed at the address shown on the attached list or shown below.

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420 REDCLIFF DR
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DATED: 11/7/06

By: _____


Deputy Clerk

EDC 3-070 (New 4/21/00)